

**PARWAAZ FINANCIAL
SERVICES LIMITED**

**FINANCIAL STATEMENTS FOR THE
PERIOD FROM DECEMBER 23, 2020
TO DECEMBER 31, 2021**

PARWAAZ FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

		December 31, 2021
ASSETS	Note	Rupees
NON-CURRENT ASSETS		
Property, plant and equipment	7	1,192,748
Long term deposit	8	136,875
Deferred taxation	9	1,803,995
		3,133,618
CURRENT ASSETS		
Advances, deposits, prepayments and other receivables	10	5,434,465
Short term investments	11	1,500,000,000
Cash and bank balances	12	48,513,736
		1,553,948,201
TOTAL ASSETS		<u>1,557,081,819</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 150,000,000 ordinary shares of Rs. 10 each		<u>1,500,000,000</u>
Issued, subscribed and paid up capital 150,000,000 ordinary shares of Rs. 10 each	13	1,500,000,000
Revenue reserve: unappropriated profit		42,066,647
		1,542,066,647
CURRENT LIABILITIES		
Accrued and other liabilities	14	10,030,674
Provision for taxation		4,984,498
		15,015,172
CONTINGENCIES AND COMMITMENTS	15	
TOTAL EQUITY AND LIABILITIES		<u>1,557,081,819</u>

The annexed notes 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM DECEMBER 23, 2020 TO DECEMBER 31, 2021

	Note	December 23, 2020 to December 31, 2021 Rupees
Administrative expenses:	16	
Pre-commencement expenses		(12,941,628)
Post-commencement expenses		(23,504,272)
Operating loss		<u>(36,445,900)</u>
Other income	17	96,068,961
Finance cost	18	(8,700)
Profit before taxation		<u>59,614,361</u>
Taxation	19	(17,547,714)
Profit after taxation		<u>42,066,647</u>
Other comprehensive income		-
Total comprehensive income		<u><u>42,066,647</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

Signature


Chief Executive Officer


Director

PARWAAZ FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM DECEMBER 23, 2020 TO DECEMBER 31, 2021

	Issued, subscribed and paid up capital	Revenue reserve Unappropriated profit ----- Rupees -----	Total
Issue of ordinary shares	1,500,000,000	-	1,500,000,000
Total comprehensive income for the period	-	42,066,647	42,066,647
	1,500,000,000	42,066,647	1,542,066,647
Balance as at December 31, 2021	1,500,000,000	42,066,647	1,542,066,647

The annexed notes 1 to 29 form an integral part of these financial statements.

Signature

Signature

Chief Executive Officer

Signature

Director

PARWAAZ FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM DECEMBER 23, 2020 TO DECEMBER 31, 2021

	Note	December 23, 2020 to December 31, 2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		59,614,361
Adjustments for:		
Profit earned on term deposit receipts (TDRs) and saving account		(96,068,961)
Finance cost		8,700
Depreciation on property, plant and equipment		59,330
Operating profit before working capital changes		(36,386,570)
Effect of changes in working capital:		
Increase in accrued and other liabilities		8,762,331
Increase in long term deposit		(136,875)
Increase in advances, deposits, prepayments and other receivables		(1,696,383)
Cash used in operating activities		(29,457,497)
Taxes paid		(13,098,868)
Finance cost paid		(8,700)
Net cash used in operating activities		(42,565,065)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income earned on TDRs and saving accounts		92,330,879
Purchase of property, plant and equipment		(1,252,078)
Net cash generated from investing activities		91,078,801
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital		1,500,000,000
Net cash generated from financing activities		1,500,000,000
Net increase in cash and cash equivalents		1,548,513,736
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	21	1,548,513,736

The annexed notes 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

PARWAAZ FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM DECEMBER 23, 2020 TO DECEMBER 31, 2021

1 Legal status and operations

Parwaaz Financial Services Limited (the Company) was incorporated in Pakistan as a company limited by shares under the Companies Act, 2017 on December 23, 2020. The Company obtained license to carry out investment finance services as a Non-banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on June 22, 2021.

The objective of the Company is to provide financing primarily to Small and Medium Enterprises (SMEs) within Pakistan. The Company also intends to provide business development services to SMEs.

The registered correspondence address of the Company is Cornelius, Lane and Mufti, Nawa-e-Waqt House, 4, Shahrah-e-Fatima Jinnah, Mozang, Data Gunj Buksh Town, Lahore. The Company is in the process of establishing its registered office.

The ultimate parent of the Company is Karandaaz Pakistan.

2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations);
- Provisions of directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984.

Where the provisions of and directives issued under the Companies, Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ with the requirements of IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 273(1)/2020 dated March 30 2020 modified the effective date for applicability of International Financial Reporting Standard - Financial Instruments (IFRS 9) for Non-Banking Finance Companies for year ending on or after June 30 2022; accordingly the requirements of IFRS 9 standard has not been considered in the preparation of these financial statements.

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations to published standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the periods beginning on or after December 23, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

3.2 Standards, amendments and interpretations to existing standards not yet effective and applicable/ relevant to the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2022 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) Amendments to IAS 16, 'Property plant and equipment'

The amendment to IAS 16 Property, Plant and Equipment (PP&E), effective for accounting periods beginning on or after January 01, 2022, prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. These amendments are not expected to have a material impact on the Company's financial statements when they become effective.

(b) Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The narrow-scope amendments to IAS 1 Presentation of Financial Statements, effective for accounting periods beginning on or after January 01, 2023, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the settlement of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

These amendments are not expected to have a material impact on the Company's financial statements when they become effective.

(c) Amendments to IAS 1 and IFRS 2 Practice Statement 2, 'Disclosure of Accounting Policies'

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The above mentioned amendments are effective for accounting periods beginning on or after January 01, 2023.

The Company is in the process of assessing the impact of these amendment on the Company's financial statements.

(d) Amendments to IAS 8, 'Definition of Accounting Estimates'

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective for accounting periods beginning on or after January 01, 2023, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Company is in the process of assessing the impact of this amendment on the Company's financial statements.

(e) Amendments to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments to IAS 12 Income Taxes, effective for accounting periods beginning on or after January 01, 2023, require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

These amendments are not expected to have a material impact on the Company's financial statements when they become effective.

4 Basis of presentation and measurement

4.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except as otherwise stated.

4.2 Presentation and functional currency

These financial statements are prepared in Pak Rupees, which is the presentation as well as functional currency of the Company. Figures have been rounded off to the nearest rupee unless otherwise specified.

5 Significant Accounting Judgments, Estimates And Assumptions

The Company's significant accounting policies are stated in note 6. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The area involving a higher degree of judgment or complexity and where assumptions and estimates are significant to the financial statements is provision for current taxation as referred in note 6.1.

6 Summary of significant accounting policies

The accounting policies adopted for the preparation of these financial statements are listed below:

6.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income as the case may be.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Where there is uncertainty in income tax accounting i.e. when it is not probable that the tax authorities will accept the treatment, the impact of the uncertainty is measured and accounted for using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty. Such judgements are reassessed whenever circumstances have changed or there is new information that affects the judgements. Where, at the assessment stage, the taxation authorities have adopted a different tax treatment and the Company considers that the most likely outcome will be in favour of the Company, the amounts are shown as contingent liabilities. In making a judgment and / or estimate relating to probability of outcome, the management considers laws, statutory rules, regulations and their interpretations. Where, based on management's estimate, a provision is required, the same is recorded in the financial statements.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items charged or credited to equity or other comprehensive income, in which case it is included in the statement of changes in equity or statement of other comprehensive income as the case may be.

6.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property, plant and equipment is charged to the statement of profit or loss, using the straight line method, to allocate their cost over their estimated useful lives, at the rate mentioned in note 7. The Company charges depreciation on all additions to the items of property, plant and equipment from the date asset is available for use till the date of its disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in the statement of profit or loss.

6.3 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less which form an integral part of the Company's cash management.

6.4 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost less any identified impairment loss.

6.5 Other income

Income is recognised on accrual basis. Profit/markup on loans and bank accounts are recognised using the effective yield method.

6.6 Short term investments

Investments classified as financial asset at amortized cost are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

6.7 Employees' provident fund

The Company operates a contributory provident fund for those employees who have opted for this scheme. Equal contributions are made by the Company and employee to the fund. The Company intends to create a separate provident fund trust to manage the employees' provident fund.

6.8 Foreign currency transactions and translations

Transactions in foreign currencies are translated in Pakistan rupees at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange approximating those prevalent at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

6.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

6.10 Contingencies and commitments

Contingent liability is disclosed when:

There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Accounting policy in respect of contingent taxation liabilities is further elaborated in note 6.1.

6.11 Financial instruments

6.11.1 Financial assets

In accordance with the requirements of IFRS 9, the Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in the statement of profit or loss.

(b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Income from such assets are recognized directly in other comprehensive income.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in statement of profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in statement of profit or loss. Dividends from such investments continue to be recognised in statement of profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to statement of profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

Impairment of financial assets

The Company assesses on a forward looking basis, the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The Company computes historical loss rates using the historical credit losses which are then adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. For advances and other receivables, the Company applied the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, advances and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Company recognises in statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

6.11.2 Financial liabilities

Liabilities for accrued and other liabilities are carried at their cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

6.12 Derecognition of financial assets and liabilities

(i) Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in the statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as fair value through other comprehensive income (FVTOCI), the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of profit or loss, but is transferred to the statement of changes in equity.

(ii) Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss.

6.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

6.14 Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

6.15 Short term leases

The Company's policy with respect to short term leases i.e. of a period less than 12 months is to recognise payments on a straight line basis as an expense in the statement of profit or loss.

		Computer Equipment Rupees
7	Property, plant and equipment	
	Net carrying value basis	
	As at December 31, 2021	
	Opening net book value (NBV)	-
	Additions during the period (at cost)	1,252,078
	Disposals during the period (at NBV)	-
	Depreciation charge	(59,330)
	Closing net book value (NBV)	1,192,748
	Gross carrying value basis	
	As at December 31, 2021	
	Cost	1,252,078
	Accumulated depreciation	(59,330)
	Net book value (NBV)	1,192,748
	Depreciation rate % per annum	33.33%
7.1	The depreciation expense for the period has been charged to post-commencement expenses.	
8	Long term deposit	
	This represents the security deposit paid against fuel cards obtained for employees.	
		December 31, 2021 Rupees
9	Deferred taxation	Note
	The deferred tax asset comprises of temporary differences relating to:	
	Pre-commencement expenses	3,002,458
	Accrued interest on term deposit receipts (TDRs)	(1,084,044)
	Accelerated tax depreciation	(114,419)
		1,803,995
9.1	The gross movement in net deferred tax asset during the period is as follows:	
	Opening balance	-
	Credited to statement of profit or loss	1,803,995
	Closing balance	1,803,995
10	Advances, deposits, prepayments and other receivables	
	Prepaid insurance	1,225,256
	Short term security deposits	105,000
	Other receivables	366,127
	Accrued interest on term deposit receipts (TDRs)	3,738,082
		5,434,465

- 10.1** This represents amount receivable from Karandaaz Pakistan, the parent Company. Maximum aggregate amount due in this respect at the end of any month in the period was Rs. 366,129. No interest has been charged on the amount due in this respect.

11 Short term investments

This represents investment in term deposit receipts (TDRs) maturing within three months of the date of statement of financial position. TDRs carry markup ranging from 10.7% to 11% per annum. These funds are placed with Habib Metropolitan Bank Limited.

12	Cash and bank balances	Note	December 31, 2021 Rupees
	Cash at bank:		
	- Saving account	12.1	48,513,736
	Cash in hand		-
			<u>48,513,736</u>

- 12.1** The rate of mark-up on this account ranges from 6.00% to 8.23% per annum.

13 Share Capital and Reserves

13.1 Authorized Share capital

December 31, 2021 (Number of shares)	December 31, 2021 Rupees
<u>150,000,000</u>	<u>1,500,000,000</u>

13.2 Issued, subscribed and paid up share capital

December 31, 2021 (Number of shares)	December 31, 2021 Rupees
<u>150,000,000</u>	Ordinary shares of Rs.10 each, fully paid in cash
	<u>1,500,000,000</u>

13.3 Movement in ordinary shares

	Number of shares	Par Value (Rupees)	Total (Rupees)
Issue of ordinary shares during the period	150,000,000	10	1,500,000,000
Closing balance	<u>150,000,000</u>	<u>10</u>	<u>1,500,000,000</u>

- 13.4** Karandaaz Pakistan holds 149,999,996 shares representing 99.99% shares of the Company.

- 13.5** All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

		Note	December 31, 2021 Rupees
14	Accrued and other liabilities		
	Accrued liabilities		6,045,940
	Provident fund payable	14.1	1,789,991
	Tax deducted at source		1,268,343
	Other payable		926,400
			<u>10,030,674</u>

14.1 The Company is in the process of establishing a separate trust to manage the provident fund.

15 **Contingencies and commitments**

15.1 There are no known contingencies at the reporting date.

15.2 The Company has commitments in respect of contractual obligations amounting to Rs. 1,116,129 as at December 31, 2021.

		Note	December 23, 2020 to December 31, 2021 Rupees
16	Administrative expenses		
	Pre-commencement expenses		
	Legal and professional fee		10,283,968
	Advertisement expenses		768,771
	Directors' fee		1,888,889
			<u>12,941,628</u>
	Post-commencement expenses		
	Salaries, wages and other benefits	16.1	15,781,239
	Directors' fee		2,381,945
	Legal and professional charges		1,928,150
	Auditors' remuneration	16.2	962,500
	Travel, lodging and per diems		695,065
	Consultancy		650,000
	Advertisement		500,000
	Fees & Subscription		401,310
	Short term lease expense		87,402
	Depreciation	7	59,330
	Office expenses		57,330
			<u>23,504,272</u>
			<u>36,445,900</u>

16.1 Included in post-commencement expenses is an amount of Rs. 894,996 representing expenses in relation to provident fund.

		Note	December 23, 2020 to December 31, 2021 Rupees
16.2	Auditors' remuneration		
	Statutory audit		630,000
	Review of interim financial statements		262,500
	Out of pocket expenses		70,000
			<u>962,500</u>

17 Other income

This represents profit earned on term deposit receipts (TDRs) and saving account.

18 Finance cost

Bank charges

**December 23, 2020
to December 31,
2021**
Rupees

8,700

19 Taxation

Current taxation:

- Current period

Deferred taxation

19,351,709

(1,803,995)

17,547,714

**December 23, 2020
to December 31,
2021**
%

20 Tax charge reconciliation

Applicable tax rate

29.00

Tax effect of:

Effect of items not allowable for tax purposes

0.44

Tax expense for the year

29.44

21 Cash and Cash equivalents

Cash and bank balances

Short term investments

December 31, 2021
Rupees

48,513,736

1,500,000,000

1,548,513,736

22 Financial risk management

22.1 Financial risk factors

The Company's current activities expose it to a variety of financial risks: market risk comprising of interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's current market risk exposure is limited to interest rate risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

(i) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from bank balance in saving account. Assets held at variable rates expose the Company to cash flow interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying values December 31, 2021 Rupees
Fixed rate instruments	
Financial assets	
Short term investments	1,500,000,000
Floating rate instruments	
Financial assets	
Cash at bank	<u>48,513,736</u>

Cash flow sensitivity analysis for variable rate instruments

If interest rates on saving account, at the period end date, fluctuates by 1 % higher / lower with all other variables held constant, profit before taxation for the period would have been Rs. 10.369 million higher / lower, mainly as a result of higher / lower interest income on floating rate instruments.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from components of financial statements as disclosed below:

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Carrying values December 31, 2021 Rupees
Financial assets	
Short term investments	1,500,000,000
Cash and bank balances	48,513,736
Advances, deposits and other receivables	4,209,209
Long term deposit	<u>136,875</u>
	<u>1,552,859,820</u>

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Short term investments

	Rating	Rating	Rating	December 31, 2021
	Short term	Long term	Agency	Rupees
Habib Metropolitan Bank Limited	A-1 +	AA+	PACRA	1,500,000,000

Cash and bank balances

	Rating		Rating Agency	December 31, 2021 Rupees
	Short term	Long term		
United Bank Limited	A-1 +	AAA	VIS	48,504,258
Habib Metropolitan Bank Limited	A-1 +	AA+	PACRA	9,478
				<u>48,513,736</u>

Accrued interest on term deposit receipts (TDRs)

	Rating		Rating Agency	December 31, 2021 Rupees
	Short term	Long term		
Habib Metropolitan Bank Limited	A-1 +	AA+	PACRA	<u>3,738,082</u>

With respect to receivable from Karandaaz Pakistan, after giving due consideration to the strong financial standing of the party, management does not expect non-performance by the party on its obligation to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses.

The following is the contractual maturities of financial liabilities:

	December 31, 2021 Rupees			
	Carrying Amount	Less than 1 year	Between 1 to 5 years	Over 5 years
		-----Rupees-----		
Accrued and other liabilities	<u>10,030,674</u>	<u>10,030,674</u>	<u>-</u>	<u>-</u>

22.2 Financial instrument by category

**December 31, 2021
At Amortized Cost
Rupees**

Financial Assets

Short term investments	1,500,000,000
Long term deposit	136,875
Short term security deposits	105,000
Other receivables	366,127
Accrued interest on term deposit receipts (TDRs)	3,738,082
Cash and bank balances	<u>48,513,736</u>
	<u>1,552,859,820</u>

Financial Liabilities

Accrued and other liabilities	<u>10,030,674</u>
-------------------------------	-------------------

22.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of the reporting date, there were no level 1, 2 or 3 assets or liabilities.

23 Related party transactions

The Company's related parties comprise of its directors, associated undertakings, parent company and key management personnel. The balance receivable from the related parties has been disclosed in note 10 whereas the remuneration of CEO and key management personnel has been disclosed in note 24. Other significant transactions with related parties are as follows:

Relationship with the Company	Name of related party	Transactions from December 23, 2020 to December 31, 2021	Rupees
1) Parent	Karandaaz Pakistan Limited	Expenses paid on behalf of the Company	13,314,217
		Receipt against issuance of shares	1,499,999,960
2) Directors	Directors	Meeting fee paid to the directors	4,270,834
3) Directors	Directors	Receipt against issuance of shares	40

All transactions with related parties have been carried out on mutually agreed terms and conditions.

24 Remuneration of chief executive (CEO) and key management personnel

The aggregate amount charged in the financial statements for the period for remuneration, to the Chief Executive and executives is as under:

	Chief Executive	Executives	Total
Managerial remuneration	8,932,022	-	8,932,022
Provident fund contribution	828,097	-	828,097
Reimbursements	153,709	-	153,709
	<u>9,913,828</u>	<u>-</u>	<u>9,913,828</u>

Number of persons

1

-

1

25 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

The Company monitors capital using a gearing ratio, which is long term debt divided by total capital. As at December 31, 2021, the Company has not contracted any long term borrowing arrangements.

26 Events after the reporting date

There are no reportable events after the reporting date.

27 Number of Employees

December 31, 2021

Number of Employees at reporting date	6
Average number of employees during the period	2

28 Authorization of financial statements

These financial statements were authorized for issue on 31st March, 2022 by the Board of Directors of the Company.

29 Corresponding figures

Corresponding figures are not available as this is the first period of operation of the Company. Furthermore, these financial statements have been prepared from the date of incorporation i.e., December 23, 2020 till the period end i.e. December 31, 2021.

Handwritten signature

Handwritten signature in blue ink

Chief Executive Officer

Handwritten signature in black ink

Director